



P
PEMBINA
PIPE LINE LTD.



Corporate Information

HEAD OFFICE

900 - 320 - 7th Avenue S.W.
Calgary, Alberta
T2P 0X4

FIELD OFFICES

Post Office Box 330
Drayton Valley, Alberta
T0E 0M0

Post Office Box 579
Redcliff, Alberta
T0J 2P0

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
Calgary, Alberta

BANKERS

The Royal Bank of Canada
Calgary, Alberta

SOLICITORS

Jones, Black & Company
Calgary, Alberta

AUDITORS

Peat, Marwick, Mitchell & Co.
Calgary, Alberta

Directors

P. G. CLARKE
Calgary, Alberta

L. B. GORDON
Calgary, Alberta

D. W. McCLEMENT
Calgary, Alberta

F. P. MANNIX
Calgary, Alberta

A. D. NESBITT
Montreal, Quebec

A. H. ROSS
Calgary, Alberta

S. C. WATERS
Calgary, Alberta

Officers and Key Personnel

F. P. MANNIX
Chairman of the Board

A. H. ROSS
President

G. E. THOMPSON
General Manager

T. PARKS
Manager, Oil & Gas Division

L. E. GANO
Manager, Pipe Line Division

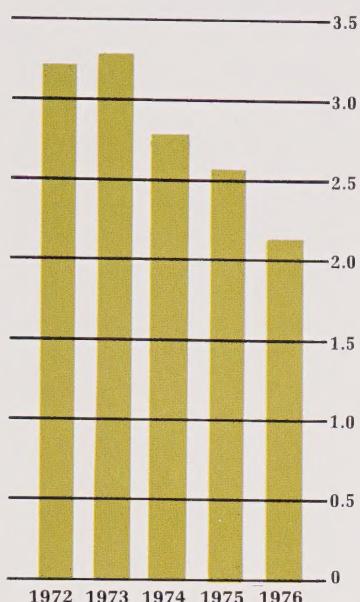
O. P. SARABIN
Manager, Business Development

T. L. RENPENNING
Controller & Ass't Treasurer

P. S. CHRISTENSEN
Treasurer

A. V. COMEAU
Secretary

OIL PRODUCTION
Thousands of Barrels/Day



GAS PRODUCTION
Millions of Cubic Feet/Day



IGHLIGHTS

Twelve Month Period
ending December 31

	1976	1975
... \$17,937,000	16,156,000	
... \$ 7,996,000	6,278,000	
... 96¢	75¢	
... \$ 3,350,000	3,344,000	
... 40¢	40¢	
... \$ 6,909,000	6,473,000	
... 103,817	115,961	
... 778,600	948,600	
... 8,085,300	8,481,700	
... 3,367,339	4,234,304	
... 1,120,965	1,302,216	
... 59	26	
... 22.43	4.37	

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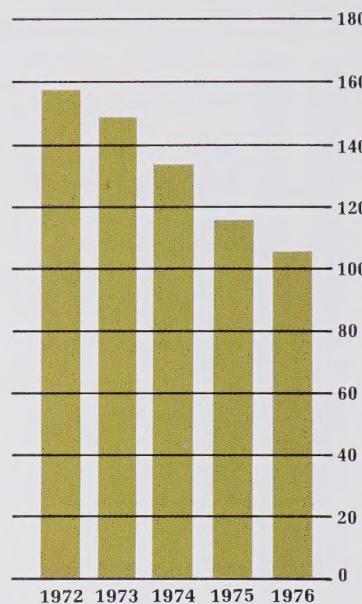
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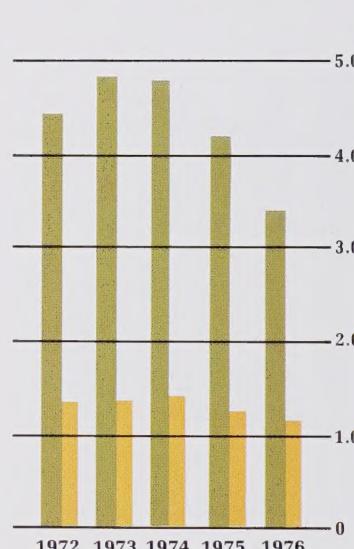
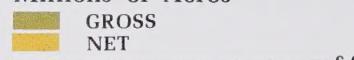
AUDITORS

Peat, Marwick, Mitchell & Co.
Calgary, Alberta

**AVERAGE
PIPE LINE DELIVERIES
Thousands of Barrels/Day**



**ACREAGE
Millions of Acres**





22nd Annual Report 1976

FINANCIAL AND OPERATING HIGHLIGHTS

	Twelve Month Period ending December 31	
	1976	1975
FINANCIAL		
Gross Revenue	\$17,937,000	16,156,000
Net funds from Operations	\$ 7,996,000	6,278,000
Per Share	96¢	75¢
Net Income	\$ 3,350,000	3,344,000
Per Share	40¢	40¢
Capital Expenditures	\$ 6,909,000	6,473,000
PIPE LINE OPERATION		
Deliveries — barrels Per day	103,817	115,961
PRODUCTION		
Crude Oil and Gas Liquids — barrels	778,600	948,600
Natural Gas Sales thousand cubic feet	8,085,300	8,481,700
LAND		
Gross — acres	3,367,339	4,234,304
Net — acres	1,120,965	1,302,216
WELLS DRILLED		
Gross	59	26
Net	22.43	4.37



REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS

Herewith is the Twenty-Second Annual Report of Pembina Pipe Line Ltd. for the year ended December 31, 1976.

Events during the past year which had a positive effect on company growth were increased prices for crude oil and natural gas, a successful exploration programme and the expansion of a gas transmission system in southern Alberta. As a result of the increase in prices in Alberta and British Columbia, revenue reached \$17,937,000, an increase of \$1,781,000 from 1975. Net funds from operations showed a corresponding increase rising from \$6,278,000 (1975) to \$7,996,000 (1976). Increased operating expenses of \$1,223,000 and a more active exploration programme resulted in the net income staying almost level at \$3,350,000.

Exploration activities in 1976 were concentrated in Alberta and north-east British Columbia. The company participated in twenty-six exploratory ventures of which twenty were successful and six resulted in dry holes. A foothills discovery in the Shunda region of Alberta is currently being offset by follow-up wells. This area has been the center of considerable exploration activity within the industry.

Other discoveries of significance were in north-east British Columbia. An exploratory test at Helmet resulted in a producing gas well and further drilling is being done in this area. Pembina drilled a successful gas discovery in the Pickell region of north eastern British Columbia and has recently offset the discovery with a second successful venture. Pembina has a 100% interest in both Pickell wells. Production from the area will commence as soon as an extension to gas gathering and transmission facilities is constructed. A gas discovery in the Rigel area of north-east British Columbia was offset by two additional successful wells. All three wells are currently on production.

The oil and gas pipe line gathering and transmission system continued to experience throughput decline as a result of declining production from fields served by the Company. Total daily average throughputs in 1976 were 103,817, compared to 115,961 in 1975.

Pembina Pipe Line Ltd. owns fifty per cent of South Alberta Pipe Lines Ltd. and operates the gas gathering and transmission facilities near Medicine Hat in southern Alberta. Drilling activity south of the City of Medicine Hat has resulted in discoveries of natural gas adjacent to the main transmission line. South Alberta has contracted to ship this gas to industrial locations within the City of Medicine Hat. Further drilling and development activity and transporting gas from several new areas adjacent to this pipe line is expected in 1977.

The Company's oil production continued to decline in 1976 with the Saskatchewan fields being the most significant.

Gas production dropped slightly as some of the more mature Alberta gas producing areas suffered declines in excess of previous levels. Production resulting from the twenty development gas wells drilled in the Medicine Hat area should reverse this decline in 1977. The current gas deliverability surplus in the Province of Alberta will defer production from Figure Lake and Crossfield. The Company will continue to develop and market gas reserves in British Columbia with the highest priority being placed on areas where pipe line facilities are already in existence or in the construction phase.

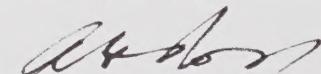
The Company will continue to carry on an active exploration program in the foothills regions of Alberta and British Columbia. In addition, follow-up drilling will commence near previous discoveries in order to delineate these gas reserves. If sufficient reserves can be proven, an extension of pipe line facilities in British Columbia can be undertaken to enable these gas reserves to be marketed.

In December 1976, your Company effected consolidation of its common shares. Previously the Company had 8,325,160 shares outstanding divided into 1,665,032 Class B voting shares and 6,660,128 Class A non-voting shares. Effective December 28, 1976 the two classes were combined into a single class of shares all of which are voting.

Western Decalta Petroleum Limited and Pembina Pipe Line Ltd. are consolidating certain operational and administrative functions of the two companies. Under the arrangement, effective March 10, 1977, the companies are placed under a single, central management. A. H. Ross, President of Western Decalta Petroleum Limited, has been appointed to the additional post of President of Pembina Pipe Line Ltd. Mr. Ross was also appointed a Director of the Company. Pembina Pipe Line Ltd. will assume management responsibility for all operations and administration of both Companies. The individual properties of each company will continue to be identified with its respective Company.

Your Directors wish to thank Mr. T. H. France for his many contributions to the growth of the Company. In addition, the Directors greatly appreciate the dedicated efforts of all the employees, which resulted in the significant progress enjoyed by the Company during this past year and look forward to their continued support in 1977.

ON BEHALF OF THE BOARD OF DIRECTORS.



A. H. Ross
President

Calgary, Alberta
March 24, 1977

PIPE LINE OPERATIONS

Crude oil and condensate throughput from the various field areas served by the Company amounted to 37,996,000 barrels for the year for an average of 103,817 barrels per day. In 1975, the comparable figure was 42,326,000 barrels or 115,961 barrels per day. The rate of decline decreased somewhat in 1976 as compared to prior years.

Following is a comparison of throughput on a field by field basis:

FIELD	1976	1975
(Barrels)		
Pembina	32,125,000	36,286,000
Willesden Green	3,895,000	3,914,000
Bigoray	236,000	292,000
Cyn. Pem.	535,000	491,000
Edson	126,000	163,000
Niton	233,000	253,000
Brazeau (Condensate)	555,000	703,000
Nordegg (Condensate)	171,000	187,000
Poco	120,000	37,000
	37,996,000	42,326,000

OIL AND GAS OPERATIONS

Gross oil and gas production was down from the 1975 level. Oil production averaged 2,128 barrels per day compared to 2,599 barrels per day for 1975; gas production was 22.09 million cubic feet per day in 1976 while production in 1975 was 23.24 million cubic feet per day.

Decline in oil production was due mainly to reduced demand for Saskatchewan medium gravity crude. Demand for this crude should increase during 1977 since the National Energy Board has authorized additional exports of this type of crude.

DRILLING

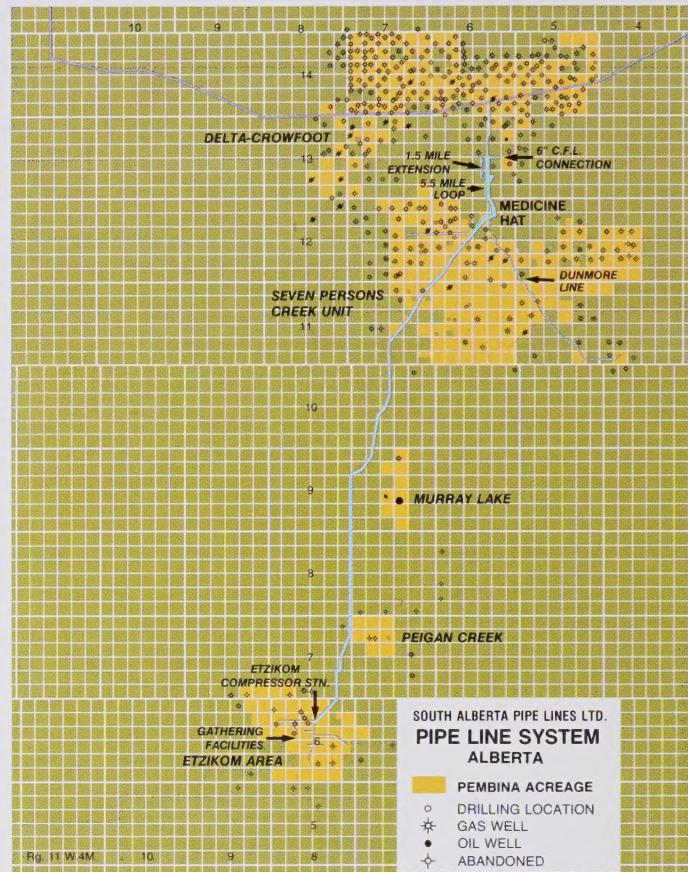
Pembina participated in the drilling of twenty-six exploratory wells and thirty-three development wells. Eleven of the exploratory wells were farmout wells drilled at no cost to the Company.

The exploratory program resulted in one oil well, nineteen gas wells and six dry holes. The development program produced one oil well, twenty-nine gas wells and three dry holes.

The major portion of the successful wells were in the Seven Persons Creek Unit. The other areas where the greatest number of successes occurred were Majorville and Figure Lake in Alberta and Rigel in B.C.

LAND

During 1976 gross acres were reduced by 866,965 to a total of 3,367,339; net acres were reduced by 181,251 to 1,120,965. The surrender of Arctic Island and



Saskatchewan acreage accounted for the majority of acreage reduction.

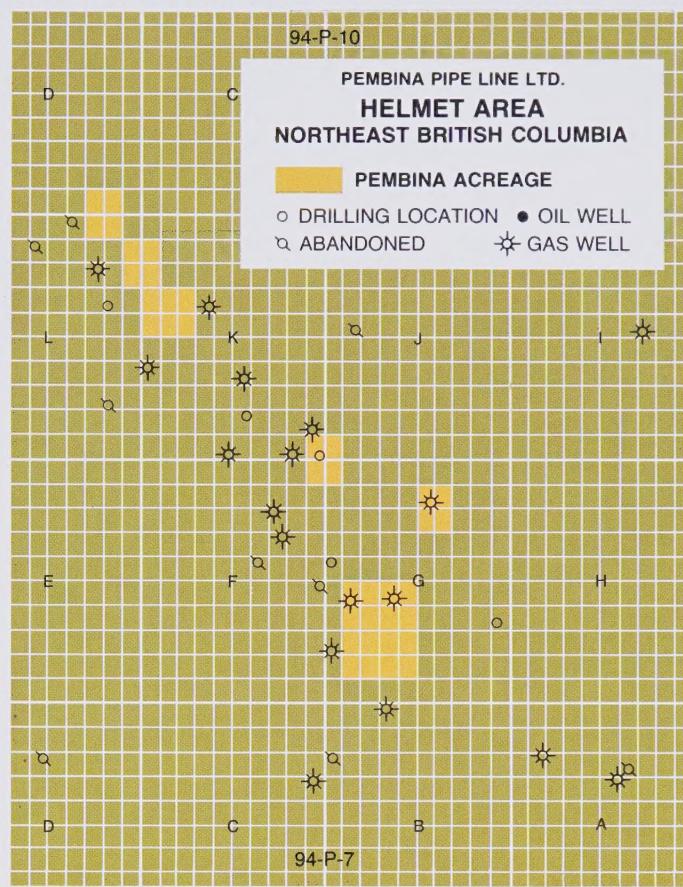
Significant acreage was acquired through purchase in the Attachie, Birch and Cameron river areas in British Columbia as well as the Murray Lake, Owl River and Peigan Creek areas of Alberta.

Summary of Acreage

	1976		1975	
	Gross	Net	Gross	Net
Alberta	1,219,852	358,344	1,176,615	383,191
Saskatchewan	70,361	26,662	196,340	132,177
British Columbia ..	907,012	351,893	922,244	350,624
NWT & Yukon	896,904	359,517	896,904	341,242
Arctic Islands	272,859	24,529	1,039,446	94,850
U.S.A.	351	20	2,755	132
	3,367,339	1,120,965	4,234,304	1,302,216

EXPLORATION

Exploration activity increased substantially over the previous year. Significant discoveries were recorded in Alberta and British Columbia. Some of these areas are currently in the development drilling stage. Land acquisitions were made in areas of major interest including potential Foothills prospects. Seismic and drilling projects are being actively pursued along this front. Twenty-six wildcat wells were drilled during the year, resulting in nineteen gas wells, one oil well and six abandonments.



No activity occurred on or near Pembina lands located in the Yukon, Northwest Territories and Arctic Islands.

British Columbia

A dual zone gas discovery well was drilled in the Helmet area and tied-in for production. Additional Crown lands were acquired on the basis of this discovery and further drilling is scheduled. Other gas discoveries were made at Pickell, located east of Wargen, and at Attachie (Cache Creek), an area in which Pembina has an extensive land position. Successful development drilling continued at Buick Creek East, resulting in increased gas reserves and deliverability from this area. Seismic programs conducted in other areas of the Province have resulted in drillable prospects which are scheduled for evaluation in 1977. Successful land purchases were made in areas of interest such as Birch.

Alberta

Company seismic and drilling programs have been predominantly along the prospective Foothills front. Several areas are highlighted on the map. Three gas discoveries were drilled on the East Brazeau block with other gas discoveries recorded at Shunda Creek and Crossfield. Construction of a gas gathering system at East Brazeau is in the planning stage. At

Shunda Creek offset drilling is in progress. Unit negotiations are proceeding at Crossfield, an area which involves three producers in which Pembina has participated. The Company's unit interest is estimated at 38%. Prospective acreage acquired at Owl River is scheduled for drilling.

Deep drilling is proceeding at Eunice and Coleman. Drilling is underway by others directly offsetting the Bolton Creek acreage in which the Company has a 50% interest.

Additional discoveries were made at Blackfoot, Figure Lake and Mellowdale and in the shallow gas areas at Lac La Biche and Saddle Lake.

Foreign

Pembina has participated in a seismic option program in Brunei, South-East Asia. Currently farmout negotiations are in progress. Your Company is participating in applications submitted for offshore permits in Australia and Trinidad. Award grants are currently pending.

Other prospective regions are under consideration.

Pembina Pipe Line Ltd.

Consolidated Ten Year Review

	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969*</u>	<u>1968*</u>	<u>1967*</u>
Financial										
(in thousands of dollars)										
Gross revenue	\$ 17,937	16,156	14,854	14,687	13,465	13,703	12,208	10,146	8,950	8,109
Net flow of funds from operations	\$ 7,996	6,278	3,728	5,795	6,126	7,825	7,529	6,348	5,837	5,373
per common share**	\$.96	.75	.42	.66	.70	.91	.87	3.78	3.47	3.19
Net income***	\$ 3,350	3,344	1,831	1,159	2,233	3,252	3,143	2,518	1,735	1,478
per common share**	\$.40	.40	.19	.11	.23	.36	.34	1.48	1.01	.85
Capital expenditures ...	\$ 6,909	6,473	2,260	7,436	4,663	7,493	7,774	3,034	9,867	3,452
Investment in fixed assets at year end										
— at cost	\$ 87,438	80,719	75,601	79,213	76,941	74,217	67,142	59,349	56,475	47,767
Long term debt less current maturities at year end	\$ 3,792	4,792	5,792	6,792	7,792	9,826	5,121	6,787	9,041	7,091
Operations										
Pipe Line:										
Average deliveries — barrels per day	103,817	115,961	133,597	148,255	157,241	164,937	155,469	130,590	120,970	117,120
Miles of line built in year	—	8	4	4	—	10	50	54	6	4
Miles of line at year end	1,061	1,061	1,053	1,049	1,045	1,045	1,035	985	931	925
Oil and gas:										
Gross production —										
Crude oil and natural gas liquids										
— barrels	778,600	948,584	1,016,429	1,197,980	1,183,416	1,128,552	1,110,031	967,724	698,544	358,697
Natural gas sales — billion cubic feet	8.08	8.48	8.01	8.81	8.89	8.51	5.56	5.31	4.98	5.11
Acreage at year end:										
Gross — acres	3,367,339	4,234,304	4,801,691	4,824,418	4,461,635	3,359,023	3,106,737	2,736,709	1,868,979	1,470,659
Net — acres	1,120,965	1,302,216	1,309,151	1,362,709	1,359,278	1,169,304	1,571,307	1,418,608	1,117,371	1,173,432
Wells drilled — gross ..	59	26	38	53	81	68	50	53	34	13
Wells net at year end:										
Oil	71	70	69	67	65	64	62	59	55	30
Gas	97	78	77	73	72	63	58	53	51	49

* The information provided for 1970 and subsequent years is based on twelve months ending December 31, whereas the information pertaining to 1969 and prior years is based on a twelve month period ending November 30.

** The net income and net flow of funds from operations per common share for 1970 and subsequent years are based on the share capital outstanding after giving effect to the amalgamation at March 31, 1971.

*** In 1968 a change was made in the method of accounting for deferred income tax credits.

Pembina Pipe Line Ltd.

Consolidated Statement of Income

Year Ended December 31, 1976 (with comparative figures for 1975)

	1976	1975
Revenue:		
Revenue from operations	\$17,901,000	16,101,000
Income from investments	36,000	55,000
	<u>17,937,000</u>	<u>16,156,000</u>
Expenses:		
Operating	6,268,000	5,045,000
Exploration, non-productive drilling and abandonments	1,812,000	1,136,000
Interest on long term debt	569,000	633,000
Other interest, net	140,000	32,000
Amortization of goodwill	25,000	28,000
Depreciation and depletion	3,021,000	2,944,000
	<u>11,835,000</u>	<u>9,818,000</u>
Income before income taxes	<u>6,102,000</u>	<u>6,338,000</u>
Income taxes:		
Current	1,236,000	2,941,000
Deferred (Note 4)	1,516,000	53,000
	<u>2,752,000</u>	<u>2,994,000</u>
Net income for the year	<u>\$ 3,350,000</u>	<u>3,344,000</u>
Net income per common share	<u>40¢</u>	<u>40¢</u>

See accompanying notes.

Pembina Pipe Line Ltd.

Consolidated Balance Sheet

As at December 31, 1976 (with comparative figures for 1975)

Assets	1976	1975
FIXED ASSETS, AT COST:		
Investment in carrier property, land, leases, wells and other equipment	\$87,438,000	80,719,000
Less accumulated depreciation, depletion and amortization . . .	<u>35,463,000</u>	<u>32,548,000</u>
	51,975,000	48,171,000
Operating oil supply	<u>577,000</u>	<u>577,000</u>
	52,552,000	48,748,000
INVESTMENTS, AT COST:		
Bonds and shares of other companies	254,000	254,000
CURRENT ASSETS:		
Cash	10,000	19,000
Short term deposit receipts, at cost	735,000	570,000
Accounts receivable:		
Trade accounts	2,312,000	1,846,000
Other	198,000	101,000
Income taxes recoverable	172,000	38,000
Materials and supplies, at cost	28,000	29,000
Deposits and prepaid expenses	250,000	99,000
	3,705,000	2,702,000
OTHER:		
Gas Arctic-Northwest Project Study Group, at cost	2,238,000	2,257,000
Goodwill and other intangibles, less amounts written off	<u>289,000</u>	<u>314,000</u>
	2,527,000	2,571,000
	\$59,038,000	54,275,000

On Behalf of the Board:


, Director


, Director

Liabilities	1976	1975
LONG TERM DEBT:		
Production loans less current portion (Note 2)	<u>\$ 3,792,000</u>	<u>4,792,000</u>
CURRENT LIABILITIES:		
Accounts payable and accrued charges	<u>2,588,000</u>	1,691,000
Production loan payments due within one year	<u>1,000,000</u>	1,000,000
	<u>3,588,000</u>	<u>2,691,000</u>
DEFERRED TAXES ON INCOME (Note 4)	<u>3,413,000</u>	<u>1,897,000</u>
Shareholders' Equity		
SHARE CAPITAL (Note 3):		
Common shares		
Authorized: 16,000,000 shares having a nominal or par value of \$4.15 each		
Issued: 8,325,160 shares	<u>34,550,000</u>	34,550,000
RETAINED EARNINGS	<u>13,695,000</u>	10,345,000
	<u>48,245,000</u>	<u>44,895,000</u>
	<u><u>\$59,038,000</u></u>	<u><u>54,275,000</u></u>

See accompanying notes.

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1976 (with comparative figures for 1975)

	1976	1975
WORKING CAPITAL WAS PROVIDED FROM:		
Net income for the year	\$3,350,000	3,344,000
Depreciation, depletion, amortization and abandonments	3,130,000	2,881,000
Deferred income taxes	1,516,000	53,000
Provided from operations	7,996,000	6,278,000
Production payment from producing properties	—	841,000
Grant in respect of eligible research expenditures as a Participant in Gas Arctic-Northwest Project Study Group	19,000	145,000
Total working capital provided	8,015,000	7,264,000
WORKING CAPITAL WAS USED FOR:		
Net additions to carrier property, land, leases, wells and other equipment	6,909,000	6,473,000
Investment in shares of other companies	—	15,000
Production loan payments	1,000,000	1,000,000
Total working capital used	7,909,000	7,488,000
Increase (decrease) in working capital	106,000	(224,000)
Working capital beginning of year	11,000	235,000
Working capital end of year	\$ 117,000	11,000

See accompanying notes.

Pembina Pipe Line Ltd.

Consolidated Statement of Retained Earnings

Year Ended December 31, 1976 (with comparative figures for 1975)

	1976	1975
Retained earnings beginning of year	\$10,345,000	5,551,000
Net income for the year	3,350,000	3,344,000
Transfer from Capital Redemption		
Reserve Fund	—	5,845,000
	13,695,000	14,740,000
Deduct:		
Appropriation for redemption of		
Series "A" Second Preferred Shares	—	4,395,000
	—	4,395,000
	13,695,000	10,345,000

See accompanying notes.

Notes to Consolidated Financial Statements

December 31, 1976

1. ACCOUNTING POLICIES

(a) Principles of consolidation:

Included in the consolidated statements are the accounts of all subsidiary companies, each of which is wholly owned.

(b) Property, plant and equipment:

All exploration costs and the carrying charges relative to unproven acreage are expensed as incurred. With regard to its oil and gas operations the Company capitalizes only lease acquisition costs, production equipment and drilling costs applicable to productive wells. Lease acquisition costs are charged against income upon surrender and capitalized leasehold and drilling costs associated with producing properties are depleted by the unit of production method based on estimated proven oil and gas reserves. Depreciation of production equipment is computed on a straight line basis at a rate of 7% per annum.

Depreciation of the pipe line system assets is calculated on the unit of production method based upon estimated proven reserves of the fields served at a rate which approximates 4% straight line.

2. PRODUCTION LOANS

Production loans consist of bank loans in the amount of \$4,792,000 which mature in 1981 and which bear interest at prevailing current rates being in the range of 9³/₄% to 10³/₄% during 1976. The required payments are \$1,000,000 in each of the next four years and the balance due in the fifth year. These loans are secured by certain of the Company's interests in petroleum and natural gas properties and an assignment of the interest in the related gas purchase contracts.

3. SHARE CAPITAL

At a special meeting in December, 1976 the shareholders approved a Special Resolution of the Company to consolidate 6,660,128 (authorized 12,000,000) Class "A" Non-Voting Common shares having a nominal or par value of \$4.15 each and 1,665,032 (authorized 4,000,000) Class "B" Voting Common shares having a nominal or par value of \$4.15 each into 8,325,160 (authorized 16,000,000) Common shares having a nominal or par value of \$4.15 each.

This Special Resolution of the Company was sanctioned by the Supreme Court of Alberta in December, 1976.

4. INCOME TAXES

For income tax purposes, the Company is entitled to claim drilling, exploration and lease acquisition costs and tax depreciation in amounts which may exceed the related provisions reflected in the accounts. As at the date of amalgamation, March 31, 1971, the Company had an investment in certain assets which exceeded amounts available for income tax purposes. The annual charges for depletion, depreciation and abandonments which relate to these assets (\$1,383,000; \$1,508,000 in 1975) are expenses which have not been deducted for current income taxes or included in the calculation of deferred taxes on income. Had the aforementioned charges for depletion, depreciation and abandonments been permitted in the computation of deferred taxes, the charge for deferred income taxes would have been decreased by \$463,000 in 1976. This would result in a corresponding increase in net income of \$463,000 (\$505,000 in 1975).

5. ANTI-INFLATION

The Company is subject to controls on compensation and dividends instituted by the Federal Government in the Anti-Inflation Act effective October 14, 1975. As a result the Company's ability to increase compensation and to pay dividends subsequent to that date is restricted.

6. REMUNERATION OF DIRECTORS AND OFFICERS

The remuneration paid to Directors and Senior Officers of the Companies for the year ended December 31, 1976 was \$295,000.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Pembina Pipe Line Ltd. as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Calgary, Canada
March 8, 1977

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants



Reviewing foreign prospects



Foreign seismic camp



Gas transmission extension



Welding 10" pipe



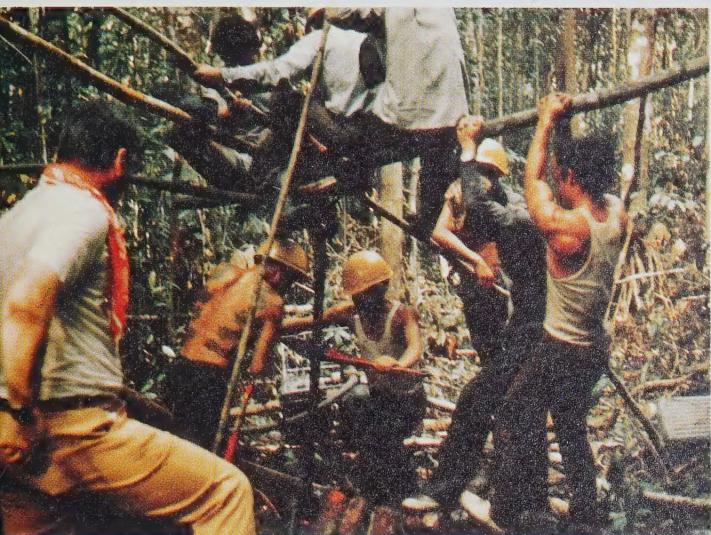
Winter drilling



Shooting seismic



B.C. gas well



Seismic shotholes – Brunei



Pipe stringing



Running production casing



Pipeline field operations



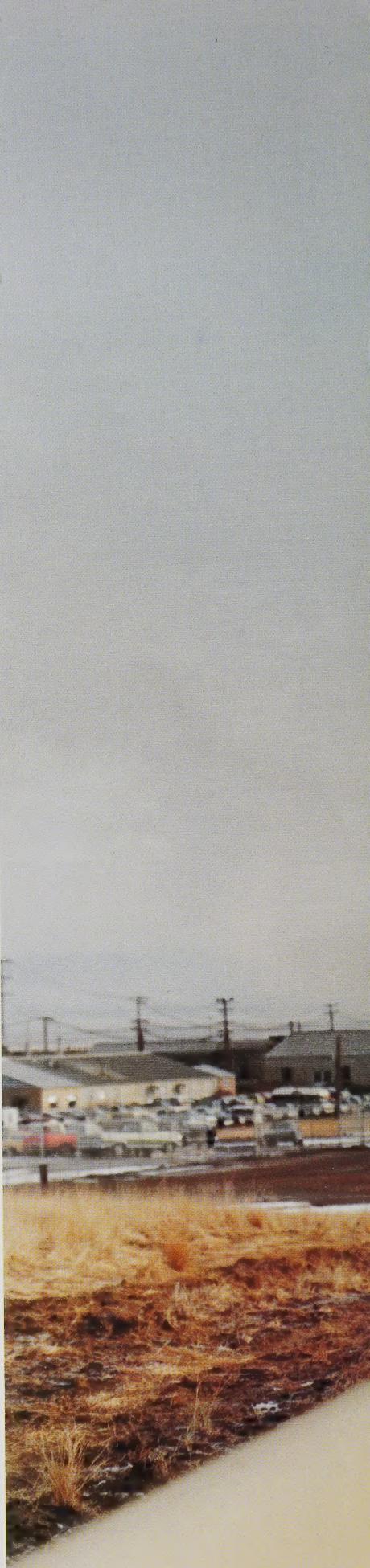
Tripping for bit



Tying in gas production



lawson graphics western limited
Done in Canada



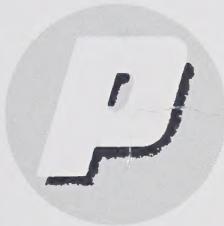
AR13

1 AVENUE S.W.
CALGARY, ALBERTA T2P 0X4

**INTERIM
REPORT
OF
PEMBINA PIPE LINE LTD.**

(Cancel)

**June 30,
1976**



*for
six months
ended
June 30, 1976*

TO THE SHAREHOLDERS

FINANCIAL

Consolidated net income for the six months ended June 30, 1976 was \$1,665,000 or 20.0¢ per common share. Corresponding earnings for the first six months of 1975 were \$1,649,000 or 19.8¢ per share. Net flow of funds from operations was \$4,207,000 or 50.5¢ per share as compared to \$2,794,000 or 33.6¢ per share for the same period in 1975. The increased revenue for the six months of 1976 is due to higher prices for natural gas and oil production and an increase in natural gas production. Increased operating expenses, exploration, depreciation, and depletion offset the increase in revenue causing net income to remain at the same level as 1975.

OPERATIONS

Pipe Line

Average receipts of crude oil into our pipe line system during the first six months of 1976 were 105,045 barrels per day which represents an 11.6% decline from the same period last year.

PRODUCTION AND DRILLING

Crude oil production averaged 2,049 barrels per day for the first half of 1976 compared to 2,400 barrels per day for the same period last year. Natural gas production for the first half of 1976 averaged 24.92 million cubic feet per day compared to 22.27 million cubic feet per day for the same period last year.

Your Company participated in the drilling of 20 wells in the first half of 1976 resulting in one oil well, one dual oil and gas well, fourteen gas wells and four dry holes. In addition, three gas wells were drilled at no cost as farmouts on lands owned by Pembina Pipe Line Ltd.

EXPLORATION

In British Columbia, a successful gas discovery was drilled in the Helmet area, and has been tied-in for production. This venture was a forerunner to other discoveries recorded in the province this year in the Rigel, Wargen and Boudreau areas. Gas reserves are currently being developed at Rigel, with production testing scheduled at Wargen and Boudreau. A test is presently drilling in the Cache Creek area where your Company holds a substantial land position.

To date, twelve exploratory wells have been drilled in Alberta, resulting in nine gas wells and one oil well. Discoveries were made at Brazeau East, Crossfield, Figure Lake, Grand Forks, Lac La Biche and at Shunda Creek. In the Foothills region, exploration activity has been increased with Pembina participating in several projects, three of which have resulted in drillable prospects.

In foreign operations, results of the seismic program conducted in Brunei, Southeast Asia are under evaluation.

Calgary, Alberta
August 13, 1976

T.H. France
President

PEMBINA PIPE LINE LTD. and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

	Six Months Ended June 30 (Unaudited)	
	1976	1975
Revenue:		
Revenue from operations	\$ 8,903,000	7,590,000
Income from investments	18,000	49,000
	✓ 8,921,000	7,639,000
Expenses:		
Operating	2,932,000	2,333,000
Exploration, non-productive drilling and abandonments	865,000	483,000
Interest on long term debt	295,000	329,000
Other interest, net	65,000	(11,000)
Amortization of goodwill	12,000	10,000
Depreciation and depletion	1,572,000	1,340,000
	5,741,000	4,484,000
Net income before the following ..	3,180,000	3,155,000
Provision for income taxes	1,515,000	1,506,000
Net income	✓ \$ 1,665,000	1,649,000
Net income per common share	✓ 20.0¢	19.8¢

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	1976	1975
Working capital was provided from:		
Current operations before charges for depreciation, depletion, amortization, abandonments and provision for deferred income taxes	\$ 4,207,000	2,794,000
Production payment from producing properties	—	841,000
Grant in respect of eligible research expenditures as a Participant in Gas Arctic- Northwest Project Study Group	19,000	145,000
	4,226,000	3,780,000
Working capital was used for:		
Net additions to carrier property, land, leases, wells and other equipment	4,533,000	4,025,000
Production loan payments	500,000	500,000
	5,033,000	4,525,000
Decrease in working capital	\$ 807,000	745,000